

PT OF TREASURY

JUL 20 2004

TOWNSHIP OF HAWES
Alcona County, Michigan

1116

01-1070

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

LOCAL AUDIT

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hawes	County Alcona
Audit Date March 31, 2004	Opinion Date June 14, 2004	Date Accountant Report Submitted to State: June 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised. 20 2004
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HAWES
Alcona County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 14, 2004

To the Township Board
Township of Hawes
Alcona County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hawes, Alcona County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hawes' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hawes, Alcona County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hawes, Alcona County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account General Fixed Assets</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<u>Assets</u>				
Cash in bank	6 156 85	10 000 00	70 42	-
Investments	171 708 24	263 657 12	-	-
Taxes receivable	4 200 56	14 763 87	-	-
Due from other funds	70 42	-	-	-
Equipment	-	-	-	11 163 25
Amount to be provided for retirement of long-term debt	-	-	-	-
Total Assets	<u>182 136 07</u>	<u>288 420 99</u>	<u>70 42</u>	<u>11 163 25</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	70 42	-
Contracts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>70 42</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	11 163 25
Fund balances:				
Unreserved:				
Undesignated	<u>182 136 07</u>	<u>288 420 99</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>182 136 07</u>	<u>288 420 99</u>	<u>-</u>	<u>11 163 25</u>
Total Liabilities and Fund Equity	<u>182 136 07</u>	<u>288 420 99</u>	<u>70 42</u>	<u>11 163 25</u>

The accompanying notes are an integral part of these financial statements.

<u>Groups</u> <u>General Long-</u> <u>Term Debt</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
---	--

-	16 227 27
-	435 365 36
-	18 964 43
-	70 42
-	11 163 25

<u>14 236 06</u>	<u>14 236 06</u>
------------------	------------------

<u>14 236 06</u>	<u>496 026 79</u>
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-	70 42
<u>14 236 06</u>	<u>14 236 06</u>
<u>14 236 06</u>	<u>14 306 48</u>

-	11 163 25
---	-----------

<u>-</u>	<u>470 557 06</u>
<u>-</u>	<u>481 720 31</u>

<u>14 236 06</u>	<u>496 026 79</u>
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TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	33 239 16	156 228 55	189 467 71
Licenses and permits	1 614 46	-	1 614 46
State revenue sharing	66 420 50	-	66 420 50
Charges for services:			
Property tax administration fees	15 746 53	-	15 746 53
Interest	870 59	658 14	1 528 73
Refunds and reimbursements	6 027 00	-	6 027 00
Miscellaneous	<u>2 224 68</u>	<u>1 712 73</u>	<u>3 937 41</u>
Total revenues	<u>126 142 92</u>	<u>158 599 42</u>	<u>284 742 34</u>
Expenditures:			
Legislative:			
Township Board	13 626 79	-	13 626 79
General government:			
Supervisor	5 072 64	-	5 072 64
Elections	422 33	-	422 33
Assessor	13 032 00	-	13 032 00
Clerk	8 679 05	-	8 679 05
Board of Review	734 74	-	734 74
Treasurer	12 538 43	-	12 538 43
Cemetery	375 00	-	375 00
Public safety:			
Liquor law enforcement	1 214 88	-	1 214 88
Fire protection	-	57 500 00	57 500 00
Zoning	9 977 79	-	9 977 79
Public works:			
Highways and streets	115 00	1 684 78	1 799 78
Street lighting	3 872 17	-	3 872 17
Other:			
Pension	2 142 12	-	2 142 12
Capital outlay	1 425 33	-	1 425 33
Debt service	<u>-</u>	<u>39 467 87</u>	<u>39 467 87</u>
Total expenditures	<u>73 228 27</u>	<u>98 652 65</u>	<u>171 880 92</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Excess of revenues over expenditures	<u>52 914 65</u>	<u>59 946 77</u>	<u>112 861 42</u>
Other financing sources (uses):			
Operating transfers in	-	46 000 00	46 000 00
Operating transfers out	<u>(46 000 00)</u>	<u>-</u>	<u>(46 000 00)</u>
Total other financing sources (uses)	<u>(46 000 00)</u>	<u>46 000 00</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	6 914 65	105 946 77	112 861 42
Fund balances, April 1	<u>175 221 42</u>	<u>182 474 22</u>	<u>357 695 64</u>
Fund Balances, March 31	<u>182 136 07</u>	<u>288 420 99</u>	<u>470 557 06</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	31 400 00	33 239 16	1 839 16
Licenses and permits	1 800 00	1 614 46	(185 54)
State revenue sharing	66 500 00	66 420 50	(79 50)
Charges for services:			
Property tax administration fees	13 000 00	15 746 53	2 746 53
Interest	1 800 00	870 59	(929 41)
Refunds and reimbursements	6 000 00	6 027 00	27 00
Miscellaneous	<u>1 550 00</u>	<u>2 224 68</u>	<u>674 68</u>
Total revenues	<u>122 050 00</u>	<u>126 142 92</u>	<u>4 092 92</u>
Expenditures:			
Legislative:			
Township Board	13 715 00	13 626 79	(88 21)
General government:			
Supervisor	5 240 00	5 072 64	(167 36)
Elections	150 00	422 33	272 33
Assessor	14 100 00	13 032 00	(1 068 00)
Clerk	8 390 00	8 679 05	289 05
Board of Review	1 170 00	734 74	(435 26)
Treasurer	13 405 00	12 538 43	(866 57)
Cemetery	300 00	375 00	75 00
Public safety:			
Liquor law enforcement	1 220 00	1 214 88	(5 12)
Fire protection	-	-	-
Zoning	8 550 00	9 977 79	1 427 79
Public works:			
Highways and streets	250 00	115 00	(135 00)
Street lighting	4 000 00	3 872 17	(127 83)
Other:			
Pension	4 000 00	2 142 12	(1 857 88)
Contingency	60 00	-	(60 00)
Capital outlay	1 500 00	1 425 33	(74 67)
Debt service	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
151 550 00	156 228 55	4 678 55
-	-	-
-	-	-
-	-	-
650 00	658 14	8 14
-	-	-
<u>-</u>	<u>1 712 73</u>	<u>1 712 73</u>
<u>152 200 00</u>	<u>158 599 42</u>	<u>6 399 42</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
62 900 00	57 500 00	(5 400 00)
-	-	-
95 300 00	1 684 78	(93 615 22)
-	-	-
-	-	-
-	-	-
<u>40 000 00</u>	<u>39 467 87</u>	<u>(532 13)</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>76 050 00</u>	<u>73 228 27</u>	<u>(2 821 73)</u>
Excess of revenues over expenditures	<u>46 000 00</u>	<u>52 914 65</u>	<u>6 914 65</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(46 000 00)</u>	<u>(46 000 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(46 000 00)</u>	<u>(46 000 00)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	-	6 914 65	6 914 65
Fund balances, April 1	<u>-</u>	<u>175 221 42</u>	<u>175 221 42</u>
Fund Balances, March 31	<u>-</u>	<u>182 136 07</u>	<u>182 136 07</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>198 200 00</u>	<u>98 652 65</u>	<u>(99 547 35)</u>
<u>(46 000 00)</u>	<u>59 946 77</u>	<u>105 946 77</u>
46 000 00	46 000 00	-
-	-	-
<u>46 000 00</u>	<u>46 000 00</u>	<u>-</u>
-	105 946 77	105 946 77
<u>-</u>	<u>182 474 22</u>	<u>183 474 22</u>
<u>-</u>	<u>288 420 99</u>	<u>288 420 99</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Hawes, Alcona County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hawes. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Township 2003 tax roll millage rate was 3.4714 mills and the taxable value was \$54,277,668.00.

Fixed Assets

Purchases of fixed assets are recorded as expenditures in their respective funds at the time of purchase. The Township also records these amounts in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have not been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

All purchases for materials are reflected in expenses when paid in all funds.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>16 227 27</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	15 851 46
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>15 851 46</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>435 365 36</u>
Total Investments				<u>435 365 36</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Equipment	<u>9 640 95</u>	<u>1 522 30</u>	<u>-</u>	<u>11 163 25</u>
Totals	<u>9 640 95</u>	<u>1 522 30</u>	<u>-</u>	<u>11 163 25</u>

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contracts payable - roads	<u>53 703 93</u>	<u>-</u>	<u>39 467 87</u>	<u>14 236 06</u>
Totals	<u>53 703 93</u>	<u>-</u>	<u>39 467 87</u>	<u>14 236 06</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 5 - Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	70 42	Current Tax Collection	70 42
Total	<u>70 42</u>	Total	<u>70 42</u>

Note 6 - Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 - Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes 7.5% of each covered employee's annual salary to the plan. Covered employees also contribute 7.5% of their annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$2,142.12.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Fire	13 000 00	General	13 000 00
Road	<u>33 000 00</u>	General	<u>33 000 00</u>
Total	<u>46 000 00</u>	Total	<u>46 000 00</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Building Permits

The Township of Hawes does not issue building permits. Building permits are issued by the County of Alcona.

Note 11 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township for the General Fund was adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund/Activity:</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Elections	150 00	422 33	272 33
Clerk	8 390 00	8 679 05	289 05
Cemetery	300 00	375 00	75 00
Zoning	8 550 00	9 977 79	1 427 79

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HAWES
Alcona County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	2 040 00
Supplies	410 38
Dues	925 44
Legal	400 00
Travel	28 20
Insurance	3 256 00
Rental	1 800 00
Miscellaneous	4 766 77
	<u>13 626 79</u>
Supervisor:	
Salary	5 000 04
Miscellaneous	72 60
	<u>5 072 64</u>
Elections:	
Supplies	239 33
Miscellaneous	183 00
	<u>422 33</u>
Assessor:	
Contracted services	12 000 00
Supplies	452 90
Miscellaneous	579 10
	<u>13 032 00</u>
Clerk:	
Salary	7 400 04
Deputy	500 00
Miscellaneous	779 01
	<u>8 679 05</u>
Board of Review:	
Wages	670 00
Miscellaneous	64 74
	<u>734 74</u>
Treasurer:	
Salary	7 400 04
Summer salary	2 511 25
Deputy	500 00
Supplies	1 396 92
Miscellaneous	730 22
	<u>12 538 43</u>
Cemetery:	
Contracted services	375 00

TOWNSHIP OF HAWES
Alcona County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Liquor law enforcement:	
Wages	1 020 00
Miscellaneous	14 88
Mileage	<u>180 00</u>
	<u>1 214 88</u>
Zoning:	
Administrator	4 200 00
Board	3 935 00
Miscellaneous	1 442 80
Supplies	<u>399 99</u>
	<u>9 977 79</u>
Highways and streets	<u>115 00</u>
Street lighting	<u>3 872 17</u>
Pension	<u>2 142 12</u>
Capital outlay	<u>1 425 33</u>
Total Expenditures	<u><u>73 228 27</u></u>

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT E

<u>Assets</u>	<u>Fire</u>	<u>Road</u>	<u>Budget Stabilization</u>	<u>Total</u>
Cash in bank	-	-	10 000 00	10 000 00
Investments	65 356 79	198 300 33	-	263 657 12
Taxes receivable	<u>4 868 51</u>	<u>9 895 36</u>	<u>-</u>	<u>14 763 87</u>
Total Assets	<u>70 225 30</u>	<u>208 195 69</u>	<u>10 000 00</u>	<u>288 420 99</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>70 225 30</u>	<u>208 195 69</u>	<u>10 000 00</u>	<u>288 420 99</u>
Total Fund Balances	<u>70 225 30</u>	<u>208 195 69</u>	<u>10 000 00</u>	<u>288 420 99</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004

	<u>Fire</u>	<u>Road</u>	<u>Budget Stabilization</u>	<u>Total</u>
Revenues:				
Property taxes	51 488 68	104 739 87	-	156 228 55
State revenue sharing	-	-	-	-
Interest	105 21	552 93	-	658 14
Miscellaneous	-	1 712 73	-	1 712 73
Total revenues	<u>51 593 89</u>	<u>107 005 53</u>	<u>-</u>	<u>158 599 42</u>
Expenditures:				
Public safety:				
Fire protection:				
Contracted services	57 500 00	-	-	57 500 00
Public works:				
Highways and streets:				
Contracted services	-	1 684 78	-	1 684 78
Debt service	-	39 467 87	-	39 467 87
Total expenditures	<u>57 500 00</u>	<u>41 152 65</u>	<u>-</u>	<u>98 652 65</u>
Excess (deficiency) of revenues over expenditures	<u>(5 906 11)</u>	<u>65 852 88</u>	<u>-</u>	<u>59 946 77</u>
Other financing sources (uses):				
Operating transfers in	<u>13 000 00</u>	<u>33 000 00</u>	<u>-</u>	<u>46 000 00</u>
Total other financing sources (uses)	<u>13 000 00</u>	<u>33 000 00</u>	<u>-</u>	<u>46 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	7 093 89	98 852 88	-	105 946 77
Fund balances, April 1	<u>63 131 41</u>	<u>109 342 81</u>	<u>10 000 00</u>	<u>182 474 22</u>
Fund Balances, March 31	<u>70 225 30</u>	<u>208 195 69</u>	<u>10 000 00</u>	<u>288 420 99</u>

TOWNSHIP OF HAWES
Alcona County, Michigan

STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – CURRENT TAX COLLECTION FUND
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank and Investments	<u>56 85</u>	<u>1 482 820 56</u>	<u>1 482 806 99</u>	<u>70 42</u>
<u>Liabilities</u>				
Due to other funds	56 85	186 109 92	186 096 35	70 42
Due to other units	<u>-</u>	<u>1 296 710 64</u>	<u>1 296 710 64</u>	<u>-</u>
Total Liabilities	<u>56 85</u>	<u>1 482 820 56</u>	<u>1 482 806 99</u>	<u>70 42</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

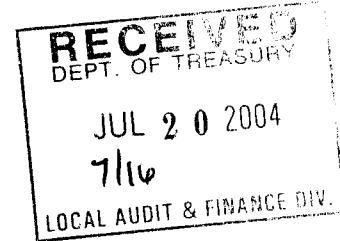
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 14, 2004

To the Township Board
Township of Hawes
Alcona County, Michigan



We have audited the financial statements of the Township of Hawes, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hawes in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hawes
Alcona County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hawes
Alcona County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hawes will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants